

## Message Text

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16

ACTION NEA-13

INFO OCT-01 ISO-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PA-04

USIA-15 PRS-01 SAM-01 DRC-01 SWF-02 /134 W

----- 085730

R 190835Z FEB 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 1543

LIMITED OFFICIAL USE TEL AVIV 0936

E.O. 11652: N/A

TAGS: ECON, IS

SUBJ: INFLATION SURGES TO NEW HEIGHTS

REF: (A) TEL AVIV 0498; (B) TEL AVIV 0915

1. CONSUMER PRICE INDEX (CPI) ROSE 3.5 PERCENT DURING JANUARY, AND FURTHER SIX PERCENT DURING FIRST WEEK IN FEBRUARY, MAINLY DUE TO INCREASES IN CONTROLLED PRICES OF FOODSTUFFS AND CANCELLATION OF SUBSIDIES (REF A). MAGNITUDE OF IMPACT ON CPI COMES AS SHOCK; IT ENSURES THAT RISE IN CPI DURING FEBRUARY WILL BE HIGHEST BY FAR IN ISRAEL'S HISTORY. IT CAN BE EXPECTED TO STIFFEN LABOR DEMANDS FOR HIGHER WAGES AND/OR OTHER COMPENSATION IN FORTHCOMING CYCLE OF BIENNIAL WAGE NEGOTIATIONS DUE BEFORE END OF MARCH. IN THIS RESPECT TIMING COULDN'T BE WORSE.

2. WITH 10 PERCENT RISE IN CPI DURING FIRST TWO MONTHS, WE MUST NOW WRITE DOWN 25 PERCENT ATTAINED LAST YEAR AS ABSOLUTE MINIMUM CALCULATION FOR 1974; MUCH MORE LIKELY IS 30-35 PERCENT. WE MUST ALSO EXPECT PRONOUNCED EFFECT ON BALANCE OF PAYMENTS: IMPORTS WILL SOAR AND EXPORTS WILL BE RETARDED TO SIGNIFICANT DEGREE.

3. IN ADDITION TO IMPACT ON OVERALL ISRAELI ECONOMY, INFLATION

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WILL HAVE MAJOR IMPACT ON EMBASSY'S BUDGET DURING COMING YEAR.

(REF B).  
KEATING

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NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COST OF LIVING, INFLATION, ECONOMIC CONDITIONS, IMPORTS, LABOR OBJECTIVES, BALANCE OF PAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 FEB 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974TELAV00936  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** TEL AVIV  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740223/aaaaavrc.tel  
**Line Count:** 63  
**Locator:** TEXT ON-LINE  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** (A) TEL AVIV 0498; (B) TEL AVIV 0915  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 AUG 2002 by boyleja>; APPROVED <04-Sep-2002 by MorefiRH>  
**Review Markings:**

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EO Systematic Review  
30 JUN 2005

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**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INFLATION SURGES TO NEW HEIGHTS  
**TAGS:** ECON, IS  
**To:** STATE  
**Type:** TE  
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